

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORT**

**TOWNSHIP OF MATCHWOOD
ONTONAGON COUNTY, MICHIGAN**

March 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TOWNSHIP OF MATCHWOOD	County ONTONAGON
Fiscal Year End MARCH 31, 2006	Opinion Date AUGUST 30, 2006	Date Audit Report Submitted to State SEPTEMBER 27, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☒ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NOT REQUIRED	
Certified Public Accountant (Firm Name) JOKI MAKELA & POLLACK PLLC		Telephone Number (906) 932-4430	
Street Address 301 N SUFFOLK STREET		City IRONWOOD	State Zip MI 49938
Authorizing CPA Signature <i>Timothy J. Makela CPA</i>		Printed Name TIMOTHY J MAKELA	License Number 11826

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JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
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IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.
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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Matchwood
Ewen, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Township of Matchwood as of and for the year ended March 31, 2006, which collectively comprise the basic financial statements of Township of Matchwood, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of Township of Matchwood as of March 31, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of April 1, 2005.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and page 26, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Matchwood's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Toti, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
August 30, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF MATCHWOOD

Year ended March 31, 2006

Management's Discussion and Analysis

This section of the Township of Matchwood's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2006. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending March 31, 2006. This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes and by federal and state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The fund that is separately stated as the major fund is the General Fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Although the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, there are no current year differences between the two types of statements.

Fiduciary funds, such as the Trust and Agency and Tax Collection Fund, are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following is a March 31, 2006, condensed statement of net assets with a detailed analysis of the statement below.

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 26,788
Certificates of deposit	21,952
Receivables - property taxes	529
Due from other fund	<u>7,458</u>
Total Current Assets	\$ 56,727
Noncurrent Assets -	
Capital assets, net of accumulated depreciation	<u>1,000</u>
Total Assets	<u>\$ 57,727</u>
LIABILITIES	
Payroll taxes	<u>\$ 482</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,000
Unrestricted	<u>56,245</u>
Total Net Assets	<u>\$ 57,245</u>

The Township's total net assets are \$57,245 at March 31, 2006. Capital assets are \$1,000. This figure is derived by taking the original cost of the Township's assets and subtracting accumulated depreciation to date.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets (Continued)

The total unrestricted net assets are \$56,245 as of March 31, 2006. This is the net accumulated result of the current and past years' operations. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at March 31, 2006.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended March 31, 2006. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the previous year are not made.

	Governmental Activities
Revenue:	
Program Revenues:	
Charges for services	\$ 280
Operating grants and contributions	3,616
General Revenues:	
Taxes	8,493
State and federal grants	15,728
Interest and rents	4,930
Other revenue	<u>1,353</u>
Total Revenue	\$ 34,400
Program expenses -	
Governmental activities	<u>28,298</u>
Increase in Net Assets	\$ 6,102

The Township had an overall increase in net assets of \$6,102 for the year ended March 31, 2006. The Township's revenues totaled \$34,400.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

The Township's total cost to fund governmental activities was \$28,298. A majority of these costs were funded by property taxes and state and federal grants. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

Governmental Fund Budgetary Items

A schedule showing the Township's original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report. There were no budget revisions made during the year.

Capital Assets

At March 31, 2006, the Township had \$1,000 invested in capital assets net of accumulated depreciation. There were no changes in capital assets during the year ended March 31, 2006.

Debt

The Township had no outstanding debt at March 31, 2006.

Future Considerations

The change in state aid payments along with State budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Township with a positive Fund Balance.

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices at Township of Matchwood, Ewen, MI 49925; telephone number (906) 575-3366.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2006

ASSETS	
CURRENT ASSETS	
Cash	\$ 26,788
Certificates of deposit	21,952
Receivables - property taxes	529
Due from other fund	<u>7,458</u>
TOTAL CURRENT ASSETS	\$ 56,727
NONCURRENT ASSETS	
Capital assets	\$ 20,259
Less accumulated depreciation	<u>(19,259)</u>
TOTAL NONCURRENT ASSETS	\$ 1,000
TOTAL ASSETS	<u>\$ 57,727</u>
LIABILITIES	
Payroll taxes	<u>\$ 482</u>
NET ASSETS	
Invested in capital assets, net of related debt	\$ 1,000
Unrestricted	<u>56,245</u>
TOTAL NET ASSETS	<u>\$ 57,245</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2006

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental activities:				
Legislative	\$ 5,379			\$ (5,379)
General government	14,573	\$ 280		(14,293)
Public safety	1,383		\$ 385	(998)
Public works	3,292		3,231	(61)
Other functions	<u>3,671</u>			<u>(3,671)</u>
Total Governmental Activities	\$ 28,298	\$ 280	\$ 3,616	\$ (24,402)
General revenues:				
Taxes				\$ 8,493
State and federal grants				15,728
Interest and rents				4,930
Other revenue				<u>1,353</u>
Total General Revenues				\$ <u>30,504</u>
Change in Net Assets				\$ 6,102
Net assets at April 1, 2005				<u>51,143</u>
Net assets at March 31, 2006				<u>\$ 57,245</u>

The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GOVERNMENTAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2006

ASSETS	
Cash	\$ 26,788
Certificates of deposit	21,952
Receivables - property taxes	529
Due from other fund	<u>7,458</u>
	<u>\$ 56,727</u>
LIABILITIES AND FUND EQUITY	
Liabilities - Payroll taxes	\$ 482
Fund Equity - unreserved fund balance	<u>56,245</u>
	<u>\$ 56,727</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUND
WITH THE STATEMENT OF NET ASSETS

TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2006

Total fund equity of governmental activities	\$	56,245
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Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and
therefore are not reported as assets in governmental funds.

Cost of capital assets	\$	20,259	
Accumulated depreciation		<u>(19,259)</u>	<u>1,000</u>

Total net assets of governmental activities	\$	<u>57,245</u>
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The accompanying notes are an integral part of the
financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2006

Revenues:			
Taxes		\$	8,493
Licenses and permits			280
State grants			11,382
Federal grants			7,962
Interest and rents			4,930
Other revenue			<u>1,353</u>
		\$	34,400
Expenditures:			
Current:			
Legislative	\$	5,379	
General government		14,573	
Public safety		1,383	
Public works		3,292	
Other functions		<u>3,671</u>	<u>28,298</u>
	EXCESS OF REVENUES OVER EXPENDITURES	\$	6,102
Fund balance at April 1, 2005			<u>50,143</u>
	FUND BALANCE AT MARCH 31, 2006	\$	<u>56,245</u>

The accompanying notes are an integral part of the
financial statements.

COMBINED STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS

TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2006

	Trust and Agency	Tax Collection	Total
ASSET			
Cash in bank	<u>\$ 13</u>	<u>\$ 7,458</u>	<u>\$ 7,471</u>
LIABILITIES			
Due other funds		\$ 7,458	\$ 7,458
Due other units of government	<u>\$ 13</u>	<u> </u>	<u>13</u>
	<u>\$ 13</u>	<u>\$ 7,458</u>	<u>\$ 7,471</u>

The accompanying notes are an integral part
of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
TOWNSHIP OF MATCHWOOD, MICHIGAN

March 31, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Matchwood operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township entity for financial-reporting purposes. The criteria established for determining the various governmental organizations to be included in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. All of the Township activities are considered to be governmental activities. There was no interfund activity to be eliminated in the Government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental and fiduciary funds are provided. The Township reports the General Fund as a major fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Type

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Fiduciary Fund Type

Agency Funds – The Trust and Agency and Tax Collection Fund are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. This fund is custodial in nature and does not involve measurement of results of operations.

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (Continued)

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as “susceptible to accrual”). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due. The Township has no long-term debt.

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for the Township. For budgetary purposes, the same basis of accounting is used to reflect actual revenues and expenditures recognized on the basis of generally accepted accounting principles. For this reason, there is no common basis for preparing a reconciliation between budgeted and actual amounts. The budgeted financial statements presented in this report reflect the final budget authorization, including all amendments. Budgets are adopted on the functional level and lapse at the end of the year.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as a receivable and a revenue as collections are made, when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County. The Township bills and collects its own property taxes and also collects current rolls for the County, Intermediate School District and Local School District.

Capital Assets and Depreciation

Capital assets include land, buildings and improvements and equipment and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$1,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	25-50 years
Equipment	5-10 years

Investment in Capital Assets

This is a portion of net assets of the Township that consists of capital assets, net of accumulated depreciation. The Township had no net investment in capital assets at March 31, 2006.

Restricted Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Township had no restricted assets at March 31, 2006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Significant changes to the Township's financial statements as a result of GASB No. 34 are as follows:

Management Discussion and Analysis – provides analysis of the Township's overall financial position and results of operations as reported by the Township's management.

Government-wide financial statements – Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Township's activities.

Capital assets – recorded in the governmental activities statement of net assets at March 31, 2006 are \$20,259 along with \$19,259 of accumulated depreciation of those capital assets. The March 31, 2004 financial statements reported fixed assets in the General Fixed Assets Account Group (GFAAG) that has been eliminated for reporting purposes. No change was reported in the historical cost of the assets from the GFAAG to the current April 1, 2005 beginning capital assets balance.

Major funds – fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – CASH INFORMATION

All deposits were made either in banks insured by federal depository insurance or with an investment broker who purchased certificates of deposit insured by federal depository insurance. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board except \$11,972 of certificates of deposit were in banks not located in the State of Michigan.

At March 31, 2006, total cash and certificates of deposit as reported by banks and investment broker amounted to \$54,317, of which all was covered by depository insurance.

NOTE C – PROPERTY TAXES

A summary of the 2005 tax roll follows:

<u>Taxing Unit</u>	<u>Mills</u>	<u>Spread</u>	<u>Delinquent</u>	<u>Collected</u>
County	12.9560	\$ 71,641	\$ 5,147	\$ 66,494
State education tax	6.0000	33,107	1,815	31,292
Local school	16.4550	62,575	914	61,661
School bond	8.5000	46,988	3,497	43,491
Intermediate school	3.3401	18,460	1,044	17,416
Township	<u>0.9878</u>	<u>5,425</u>	<u>373</u>	<u>5,052</u>
TOTALS	<u>48.2389</u>	<u>\$ 238,196</u>	<u>\$ 12,790</u>	<u>\$ 225,406</u>
Taxable valuation:				
Homestead				\$ 1,579,893
Non-homestead				<u>3,939,025</u>
			Total	<u>\$ 5,518,918</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 275 of 1980 Disclosure

The Township had no funds with a deficit as of March 31, 2006.

Public Act 621 of 1978 Disclosure

Public Act 621 of 1978, as amended, provides that a local unit of government shall not incur expenditures in excess of the amount appropriated. The Township was in substantial compliance with the Act.

NOTE E – PROPERTY TAX ADMINISTRATION FEE

The Township has not established a subsidiary ledger to account for costs incurred in collection, assessing and reviewing of property tax levies as required by Public Act 503 of 1982. A summary of the transactions that would affect the balance sheet equity account for the year ended March 31, 2006, follows:

Receipts from charging administrative fee	\$ 2,562
Cost incurred	<u>8,777</u>
Excess of costs	<u>\$ (6,215)</u>

NOTE F – CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2006:

	Balance at April 1, <u>2005</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2006</u>
<u>Governmental Activities</u>				
Assets:				
Land	\$ 1,000			\$ 1,000
Buildings and improvements	16,255			16,255
Equipment	<u>3,004</u>			<u>3,004</u>
	\$ 20,259			\$ 20,259
Less accumulated depreciation	<u>19,259</u>			<u>19,259</u>
Net Capital Assets	<u>\$ 1,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,000</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2006, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>\$ 7,458</u>	Tax Collection	<u>\$ 7,458</u>

NOTE H – RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2006, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE I – STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2006, the Township collected construction code service fees of \$280 and spent \$323 for enforcing the construction code. Because the fee structure is not intended to recover the full cost of enforcing the code and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2006

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 6,720	\$ 6,720	\$ 8,493
Licenses and permits	2,000	2,000	280
State grants	9,685	9,685	11,382
Federal grants	5,000	5,000	7,962
Interest and rents	4,325	4,325	4,930
Other revenue	<u>885</u>	<u>885</u>	<u>1,353</u>
TOTAL REVENUES	\$ 28,615	\$ 28,615	\$ 34,400
Expenditures:			
Current:			
Legislative	\$ 12,195	\$ 12,195	\$ 5,379
General government	22,593	22,593	14,573
Public safety	3,085	3,085	1,383
Public works	8,200	8,200	3,292
Other functions	<u>7,792</u>	<u>7,792</u>	<u>3,671</u>
TOTAL EXPENDITURES	\$ 53,865	\$ 53,865	\$ 28,298
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (25,250)	\$ (25,250)	\$ 6,102
Fund balance at April I, 2005	<u>50,143</u>	<u>50,143</u>	<u>50,143</u>
FUND BALANCE AT MARCH 31, 2006	<u>\$ 24,893</u>	<u>\$ 24,893</u>	<u>\$ 56,245</u>

The accompanying notes are an integral part of the financial statements.

OTHER
FINANCIAL
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2006

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Property taxes	\$ 6,220	\$ 5,425	\$ (795)
Commercial forest reserve	500	506	6
Property tax administrative fee		<u>2,562</u>	<u>2,562</u>
	\$ 6,720	\$ 8,493	\$ 1,773
Licenses and permits	2,000	280	(1,720)
State grants:			
Shared revenues	\$ 6,100	\$ 7,766	\$ 1,666
Road maintenance	3,200	3,231	31
Liquor fees	<u>385</u>	<u>385</u>	
	\$ 9,685	\$ 11,382	\$ 1,697
Federal grants - National forest	5,000	7,962	2,962
Interest and rents:			
Interest earned	\$ 575	\$ 243	\$ (332)
Rents	<u>3,750</u>	<u>4,687</u>	<u>937</u>
	\$ 4,325	\$ 4,930	\$ 605
Other revenue - miscellaneous	<u>885</u>	<u>1,353</u>	<u>468</u>
TOTAL REVENUES	<u>\$ 28,615</u>	<u>\$ 34,400</u>	<u>\$ 5,785</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF MATCHWOOD, MICHIGAN

Year ended March 31, 2006

	Expenditures		Variance
	Budget	Actual	Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries	\$ 1,800	\$ 1,620	\$ 180
Office supplies	2,395	2,231	164
Professional and contractual services	6,000		6,000
Tax roll processing	<u>2,000</u>	<u>1,528</u>	<u>472</u>
TOTAL LEGISLATIVE	\$ 12,195	\$ 5,379	\$ 6,816
GENERAL GOVERNMENT			
Supervisor:			
Salary	\$ 2,808	\$ 2,700	\$ 108
Miscellaneous	<u>950</u>	<u>222</u>	<u>728</u>
	\$ 3,758	\$ 2,922	\$ 836
Election:			
Salaries	\$ 650	\$ 341	\$ 309
Miscellaneous	<u>850</u>		<u>850</u>
	\$ 1,500	\$ 341	\$ 1,159
Assessor:			
Salary	\$ 2,735	\$ 2,733	\$ 2
Miscellaneous	<u>300</u>	<u>1,192</u>	<u>(892)</u>
	\$ 3,035	\$ 3,925	\$ (890)
Clerk:			
Salary	\$ 2,700	\$ 2,604	\$ 96
Miscellaneous	<u>1,255</u>	<u>143</u>	<u>1,112</u>
	\$ 3,955	\$ 2,747	\$ 1,208
Treasurer:			
Salary	\$ 2,700	\$ 2,604	\$ 96
Miscellaneous	<u>445</u>	<u>734</u>	<u>(289)</u>
	\$ 3,145	\$ 3,338	\$ (193)
Board of review:			
Salary	\$ 300	\$ 333	\$ (33)
Miscellaneous	<u>750</u>	<u>766</u>	<u>(16)</u>
	\$ 1,050	\$ 1,099	\$ (49)
Town hall and property:			
Repairs and maintenance	\$ 5,150		\$ 5,150
Utilities	<u>1,000</u>	<u>201</u>	<u>799</u>
	\$ 6,150	\$ 201	\$ 5,949
TOTAL GENERAL GOVERNMENT	\$ 22,593	\$ 14,573	\$ 8,020

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
PUBLIC SAFETY			
Liquor law enforcement	\$ 385	\$ 360	\$ 25
Fire protection - contracted services	700	700	
Zoning board - Miscellaneous	<u>2,000</u>	<u>323</u>	<u>1,677</u>
TOTAL PUBLIC SAFETY	\$ 3,085	\$ 1,383	\$ 1,702
PUBLIC WORKS - Highways and streets	8,200	3,292	4,908
OTHER FUNCTIONS			
Insurance and bonds	\$ 2,700	\$ 2,635	\$ 65
Employer's share of social security and unemployment costs	1,860	1,036	824
Miscellaneous	<u>3,232</u>		<u>3,232</u>
TOTAL OTHER FUNCTIONS	\$ <u>7,792</u>	\$ <u>3,671</u>	\$ <u>4,121</u>
TOTAL EXPENDITURES	\$ <u>53,865</u>	\$ <u>28,298</u>	\$ <u>25,567</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT OF CHANGES IN ASSETS

TOWNSHIP OF

Year ended

	<u>Trust and Agency</u>			
	Balance at April 1, 2005	Additions	Deductions	Balance at March 31, 2006
ASSETS				
Cash in bank	<u>\$ 13</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13</u>
LIABILITIES				
Due General Fund				
Due Ontonagon County				
Due Ewen-Trout Creek School				
Due Gogebic-Ontonagon Intermediate School District				
Due others	<u>\$ 13</u>	<u> </u>	<u> </u>	<u>\$ 13</u>
	<u>\$ 13</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 13</u>

The accompanying notes are an integral part of the
financial statements.

AND LIABILITIES - FIDUCIARY FUNDS

MATCHWOOD, MICHIGAN

March 31, 2006

Balance at April 1, 2005	<u>Tax Collection</u>		Balance at March 31, 2006
	Additions	Deductions	
<u>\$ 6,021</u>	<u>\$ 245,233</u>	<u>\$ 243,796</u>	<u>\$ 7,458</u>
 \$ 6,021	 \$ 7,458	 \$ 6,021	 \$ 7,458
	112,286	112,286	
	107,908	107,908	
	17,498	17,498	
	<u>83</u>	<u>83</u>	
<u>\$ 6,021</u>	<u>\$ 245,233</u>	<u>\$ 243,796</u>	<u>\$ 7,458</u>

SUPPLEMENTAL
REPORT

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

301 N. SUFFOLK STREET

IRONWOOD, MICHIGAN 49938-2027

T. J. MAKELA, C.P.A.

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MEMBERS

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REPORT ON COMPLIANCE
AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS

Supervisor and Members of the Board
Township of Matchwood
Ewen, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Township of Matchwood as of and for the year ended March 31, 2006, which collectively comprise the Township of Matchwood's basic financial statements and have issued our report thereon dated August 30, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Matchwood's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance with State of Michigan deposit laws.

Certificate of Deposit

State of Michigan deposit laws authorize local units of government to invest in certificates of deposits of banks located within the State of Michigan. During the year ended March 31, 2006, Township of Matchwood invested \$11,972 in certificates of deposit of banks located outside the State of Michigan.

We recommend Township of Matchwood instruct its investment advisor of the need to invest in certificates of deposit in banks located within the State of Michigan.

This report is intended solely for the information and use of the Township Board, management and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
August 30, 2006

JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
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Supervisor and Members of the Board
Township of Matchwood
Ewen, Michigan

We have compiled the Annual Local Unit Fiscal Report of Township of Matchwood for the year ended March 31, 2006, included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

Our compilation was limited to presenting in the form prescribed by the State of Michigan Department of Treasury information that is the representation of management. We have not audited or reviewed the financial statement referred to above and, accordingly, do not express an opinion or any other form of assurance on it.

This financial statement is presented in accordance with the requirements of the State of Michigan Department of Treasury, which differ from generally accepted accounting principles. Accordingly, this financial statement is not designed for those who are not informed about such differences.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
August 30, 2006